MEMBERS OF THE BRITISH IMPERIAL COUNCIL OF COMMERCE

The Mysore Chamber of Commerce.

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FROM

W. C. ROSE Esq,

CHAIRMAN, MYSORE CHAMBER OF COMMERCE,

BANGALORE.

To

THE SECRETARY,

To GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE,

DEPARTMENT OF EDUCATION AND AGRICULTURE, BANGALORE.

SIR,

I am desired by the Committee of the Chamber to represent to the Government of His Highness the Maharaja of Mysore, their views on the question of the competition of the Public Works Work-Shop, now called the "INDUSTRIAL WORKSHOP," and also the proposal submitted to Government by the Officiating Director of Industries and Commerce, in his report for the year 1916-17, for the development of a large Government "Manufacturing Organisation."

2. My Committee believe that the original intention of the Government, when sanctioning the establishment of the "Public Works Workshop" was to provide a separate Workshop, solely for the Water Works and the Department of Industries and Commerce. As regards the objects of the Department of Industries and Commerce, it has been repeatedly declared by Government that the aim of the Department in question will solely be the development of new Industries, and that so soon as such enterprises have passed the experimental stage and their commercial success assured, the Industries would be made over to private persons or Public Companies for working, and thus bring the matter of active Government development of such proved industries to an end. The only exception to such a policy would be in the development of enterprises which the Government might decide to convert into State Monopolies such as (1) Electric Lighting. (2) The Sandal Oil Factory. My Committee also understand that the Industrial policy of the Government, as publicly announced, is to profer assistance both financial and technical, and encouragement to private enterprise for the development of Industries and Commerce within the State.

3. If the preceding remarks can be said to fairly represent the intentions and aims of the Government in the matter of the devevelopment of industries within the State, my Committee respectfully beg to point out that specific instances have been brought to their notice in antagonism to this avowed policy.

4. My Committee are in ignorance as to whether the objects of the proposed conversion of the Public Works Workshop into a large manufacturing organisation is to openly compete with private enterprise, judged from the fact of the Workshop manufacturing Centrifugal pumps, Sugarcane Mills, and Agricultural

implements, or solely the supply of the requirements of Government Departments, including Municipalities. Taking the latter object-first for argument, my Committee are ready to admit that so long as the Industrial Workshop is conducted on strictly commercial lines and its output restricted to Government Departments and Municipalties only, private firms and individuals will have ~~little~~ less cause of complaint, in spite of the fact that the withdrawal of Government support to private enterprise, will undoubtedly have a deterrent effect on the development of Engineering Works and other industries, and is besides, contrary to the declared policy of the Mysore Government, as well as that of the Government of India as exemplified in their patronage to Messrs. Tata's and other Engineering Works, for the manufacture in India of rails and Railway Waggons.

5. But my Committee would like to feel assured that the management of the Industrial Workshop is, and will be, conducted on strictly commercial lines, and that in the calculation of the profits of the Workshop, due allowance is made for supervision and technical skill, as well as interest on capital, rental, power charges, depreciation and other minor expenses which fall on the private manufacturer. They therefore respectfully submit that the account of the Industrial Workshop for the past year, and future working, might be subjected to audit by a firm of Chartered Accountants, with a view to ascertain how far the Workshop has hitherto been run to a profit, and also fulfils the purposes of its inception, viz., that its output is solely disposed to Government Departments, and no work of a private nature entertained. I would also like to point out that a large industrial undertaking established for the purpose of supplying Government requirements, and worked regardless of profit,——other than book profits,——will have serious effects on private enterprise in the matter of the purchase of raw material. It has been stated to my Committee that vendors of raw materials invariably declare that the Government Workshop is paying "such and such a price" one considerably in excess of that prevailing in other markets, and thereby unnecessarily raising the value of the local manufactured article to the public, as well as creating an opening to outside competition. Nothing could be more praiseworthy on the part of the Officer in charge of the Workshop, than the desire to enlarge the Workshop with a view as he declares to manufacture machinery with advantage to the country; but my Committee strongly object to a policy which permits the money of the State to be continually expended on larger means of competition with the private manufacturer as will be shown hereafter.

6. It will not be out of place I trust, if the attention of the Government is invited to the action of the Government of India in the Home Department in the matter of Jail competition with private companies, and the argument that Government saves money by manufacturing its own supplies, and to quote their minute of the 22nd September, 1882 para 7.

> "It seems to the Governor-General in Council that in that argument the "fallacy is involved of only looking to the direct receipts paid into the "Treasury, of separating the interests of the country from those of "Government, and of supposing that any measure which checks the "productive employment of capital, and, therefore, the accumulation of "wealth in the country, can possibly benefit the Government. If "Government, by its own action, hinders the productive employment of "capital, and, therefore, the accumulation of wealth, it must inevitably, "by so much, render the tax-paying community less capable of bearing "any burdens which may be imposed upon it."

7. My Committee are of opinion that the private Engineering and other firms and individuals now developing new industries, are doing a service to the State, by imparting a practical education in foundry and industrial works to numerous workmen,

and befitting them in due course to open minor works in the Districts, and that the cessation of private enterprise of this nature through any Government action, would undoubtedly have the tendency to lower the quality and workmanship as well as efficiency of a Workshop enjoying a complete monopoly, not to mention all absence of a check to increase of prices.

8. On the other hand, Government patronage to private enterprise, undoudtedly, creates competition among private firms and individuals, thereby assuring to Government and the public a fair price for manufactured goods.

9. As regards the statement that private work, outside that required for Government purposes, is undertaken by the Industrial Workshop, I am authorised to mention the case of a contract for trestles to the value of Rs. 15,000, completed for a vendor of iron goods, etc. My Committee will be glad to hear if work of such a nature has ever been undertaken by the Industrial Workshop, and the reasons for its acceptance. Another instance is that after the completion of a certain contract, the contractor asked for a repeat order of the same article to be given to him, but was informed that the Industrial Workshop has insisted on the balance articles required being given to them to manufacture, and that they would make them at the same rate as quoted by the private firm. Here apparently the Government Workshop was unable or unwilling to take up the first portion of the contract, and only when in a position to do so, demands the withdrawal of the balance of the work from the private firm and at the same rate. There is lastly the proposal of the Officiating Director of Industries and Commerce, in his annual report to start a large oil mill, unless private capitalists are forthcoming to erect a further mill capable of treating 8 tons of seeds a day.

10. It is submitted by my Committee that threats of this nature are undesirable, and in a State only just emerging into Industrialism is more likely to deter private capitalists coming forward. Here, we have a case of the Director of Agriculture, apparently without previously notifying the investing public of his requirements, suddenly calling for a larger supply of oil cake than is available in the State, and the Officiating Director of Industries and Commerce threatening the erection of a large Government oil mill, merely because a young industry is not at once ready to meet the demands of the Director of Agriculture. The question naturally arises whether Government are prepared to purchase, say for a period of seven years, the full output of the existing mills, as well as that of any new mills that may be started by private enterprise ? It may also be argued, that the Director of Agriculture to-day considers oil cake a sufficiently good manure, for agricultural purposes, but should he or his successor a few years hence consider some other manure a better fertilizer, and obtain a large allotment of Government funds to purchase same, what would be the position of oil crushing mills erected on strength of Government support ? Another point deserving of the consideration of the Government is the difficulty at present for private persons or firms to secure machinery of any kind, and under these circumstances those who have already invested their capital, apparently under the advice of the Director of Industries, have now to face competition of Government who, only perhaps, are willing to pay the prevailing high prices for machinery and run risks which cannot reasonably be now undertaken by the private capitalists.

11. The future position of the established private firms, and individuals as thus disclosed is a very serious one, and they are in the opinion of the Committee, deserving and entitled to the sympathetic consideration of the Government, in view of the fact that they have invested their capital within the State, practically on the invitation of the Government. It can reasonably be held that after the Government having publicly

and formaly encouraged private persons to open out Workshops, and create new industries, (Vide notice dated 10th February 1914, by the Secretary, Industries and Commerce Committee as published in Mysore Government *Gazette*, dated 19th February 1914, part II page 352 regarding the investigation of new Industries and the development of existing Industries of the State,) they would at least be protected from direct Government competition. For the Government to now decide to establish a large industrial organisation, and start fresh Mills, with public funds and full Government patronage, would in the opinion of my Committee be acting against public policy and interests. It must also be borne in mind that such competition of the Government is likely to create an unsatisfactory impression in the minds of Banking institutions who would be justified in restricting financial facilities to private firms and individuals if Government choose to thus openly compete with private enterprise.

12. In conclusion, my Committee are of opinion that the Government should openly declare its intentions not to undertake private work of any kind in the Industrial Workshop, nor engage in competition with private firms or individuals and that all Government and Municipal requirements be thrown open to public tenders, and that the quotations of the Industrial Workshop for any such contracts should include the several allowances mentioned in para 5. Such a declaration would be in keeping with the spirit of the industrial policy of the Government, and in consonance with the declaration of the Government of India already referred to and also in para 20 of that resolution wherein the Governor-General in Council laid down that "No "obligation must be imposed upon other Government Departments to give a preference "to Jail manufacturers over the goods of private dealers. The Jails must be left to "compete for custom upon equal terms with other supplies." Substituting the "Industrial Workshop" for "Jails," the resolution exactly meets the contention of my Committee, and they respectfully ask for the favourable consideration of the Government to the foregoing recommendations which I have the honour to submit.

I have the honor to be,

Sir,

Your most obedient Servant,

For the Mysore Chamber of Commerce,

W. C. ROSE,

Chairman.